

s/o '76



## PRESS REVIEW

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### CallData<sup>TM</sup>

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August 16, 1976

#### "CONSUMER COMMUNICATIONS REFORM ACT OF 1976" (H.R. 12323, S.3192, et al.)

As you may know, an increasing number of bills, often bearing the designation "Consumer Communications Reform Act of 1976," have been introduced by various members of Congress at the behest of AT&T, Bell System member companies, and certain telephone company associations.

The Remote Processing Services Section (RPSS) of the Association of Data Processing Services Organizations, Inc. (ADAPSO), believe that this legislation poses serious adverse consequences for the users of remote access data processing and timesharing services. For this reason, RPSS is forwarding to you a copy of its position statement on this legislation.

This "Reform" legislation would, if enacted, reform us right out of our present nation-wide and highly competitive (and, therefore, highly efficient) data communications system.

How? Most versions of this legislation provide that -

- o Computer station and terminal equipment, never regulated before, would be put under the control of state regulatory agencies.
- o Competition between telephone common carriers, in particular specialized carriers, would be eliminated.

With respect to computer station and terminal equipment, it is strange that this industry, the very exemplar of a highly efficient and competitive industry, need be regulated at all. The proposal to have it regulated state by state, with all the inevitable inefficiencies (to say the least) that this implies, is stranger still. As for the proposal to eliminate competition between telephone common carriers, one need only note its proponents to form an opinion.

The immediate consequence of such legislation is obvious -- someone must pay the inexorably increased equipment and communications costs, and that "someone" is unavoidably you, the user. And then, in the not-very-long run, the entire industry will be forced to concentrate more on compliance with a multitude of often-conflicting regulations than on providing the best equipment and communications at minimum cost. This, too, is a highly significant cost element, and again, there is no one to pay for it but the user.

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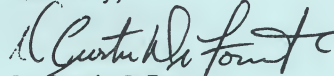
These and other points are discussed in more detail in the enclosed RPSS position statement. I urge you, as a user of remote computing services, to inform your Representatives and Senators in Congress of your views, and also to write to the House and Senate Chairmen of the Subcommittees on Communications (addresses are listed below).

I would not presume to offer a form letter for your use, but you may wish to consider the following points in any communication you may choose to make:

1. Is reform necessary? - The computer station and terminal industry is now highly competitive, highly efficient. Legislation can only diminish these assets. As for specialized communications carriers, these compete with the present "natural monopoly" carriers, keep their prices low, and act as a private-enterprise "yardstick" to measure their performance.
2. Will reform work? - Both the equipment and communications industries offer their services nation-wide, and state-by-state regulation will impose far greater immediate and long-term costs than any probable benefits could justify.
3. Do improvements in residential and rural telephone service have any technical or logical link to regulation of the computer station and terminal equipment industry or to specialized common carriers? - Not at all! Rather, these improvements are a bone tossed to the public while the proponents of this legislation make off with the carcass -- you and me.

There's an old proverb that silence is acquiescence. If we object, we must speak up to those whose duty it is to listen.

Sincerely,



D. Curtis DeForest  
Vice President  
(President of RPSS)

DCD:rm

In addition to writing to your U. S. Representatives and Senators, your views also should be made known to:

The Honorable Lionel Van Deerlin  
Chairman, House Subcommittee on  
Communications  
House Committee on Interstate  
and Foreign Commerce  
Room B-331, Rayburn House Office Bldg.  
Washington, DC 20515

The Honorable John O. Pastore  
Chairman, Senate Subcommittee on  
Communications  
Senate Committee on Commerce  
Room 126A, Russell Senate Office Bldg.  
Washington, DC 20510

## ASSOCIATION OF DATA PROCESSING SERVICE ORGANIZATIONS, INC.

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July 21, 1976

Statement of the Position of the Remote Processing Services Section (RPSS) of the Association of Data Processing Service Organizations, Inc. (ADAPSO) On the "Consumer Communications Reform Act of 1976" (H.R. 12323, S. 3192, et al.)

Legislation which poses serious adverse consequences for users of remote access data processing and timesharing services has been introduced in both houses of Congress by over 150 sponsors as a result of the efforts of American Telephone and Telegraph Company (AT&T), Bell System companies,



and various telephone company associations. If enacted this legislation would have the following results: (1) the elimination of competition between telephone common carriers, in particular specialized common carriers; (2) computers, station and terminal equipment would be brought under regulatory control for the first time. Such control, which is also conducive to regulation of data processing activities, would be relegated to the various state regulatory agencies such that fragmentation of regulation would be inevitable; (3) provision by statute that the Federal Communications Commission must accept AT&T's favorite incremental cost methodology as being appropriate in the rate making context before issuance of final reports by state and federal agencies concerning that costing methodology; and (4) anti-trust immunity for acquisitions by telephone companies.

RPSS believes that this legislation, if enacted, would have a devastating impact upon the use of computers in remote access applications from the standpoint of companies using such applications as well as from the standpoint of the public. On the basis of past experience, it is clear that some states would totally bar the interconnection of non-carrier equipment to telephone company facilities. However, the record is also clear that the telephone company should not have a monopoly in the provision of equipment that: (a) is, and was designed to be, an integral part of a computer system; (b) must be available in a wide variety of types which often have limited total demand; and (c) is subject to technological obsolescence in a short period of time. The user has obviously benefited from having available, through the medium of competition, a wide variety of innovative devices at reasonable prices.

Relegation of jurisdiction over station and terminal equipment to state regulatory commissions would eliminate any possibility of uniform nationwide technical standards for multi-state networks now in operation. The consequences of non-uniform regulation are easily traced. Each state could decide for itself what computer terminal equipment could or could not be interconnected with telephone company facilities. Thus, existing systems might be rendered impractically expensive because of the necessity to reconfigure those networks with duplicative equipment necessary to meet the dictates of various jurisdictions. Further, existing computer networks might no longer be operational should state regulatory commissions decide as North Carolina and Nebraska have already attempted, to bar interconnection of customer-provided equipment. Therefore, at the very minimum the viability of existing multi-state networks is threatened while at the worst the continued existence of such networks is endangered.

It is relatively easy to see that this legislation if enacted would lead to increased computer system costs. For one thing, the necessity to reconfigure existing networks would, as previously pointed out, inevitably lead to the need to maintain duplicative facilities necessary only for purposes of complying with the conflicting dictates of various jurisdictions. These increased costs would necessarily have to be passed along to the consumer in the form of increased prices for the goods or services provided by the industries which have incurred higher computer system costs. In those industries where the cost to price relationship is particularly sensitive, decreased sales for existing products would follow. Decreased sales inevitably would lead to fewer jobs in an economic situation that is already marked by high unemployment.

Another consequence which follows is an undesirable alteration of the balance of trade. With increased computer system costs having to be passed along to the consumer of domestically manufactured products, the competitive position of foreign goods would be enhanced by the fact that such goods would not have to bear the added costs resulting from diminished competition in the provision of computer system services.

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Further, it is possible that current computer system applications that are socially desirable, such as medical data banks and law enforcement systems, would have to be discontinued. This result would stem from the fact that the existence of many such systems is dependent upon the decreased costs which have resulted from competition in the provision of such services. In addition, many of these systems are operational because of technological breakthroughs which have been made by non-Bell equipment that enable increased utilization of existing telecommunications resources at substantial savings. Thus, it can be seen that substantial technological advances resulting from competition between telephone company and independently manufactured equipment that in many instances has led to the upgrading of telephone company provided facilities would be eliminated. Further, any incentive for continued technological innovation would be substantially lessened if not eliminated were the telephone company's monopoly control to be extended to all aspects of data transmission.

Congressional sponsors of the AT&T bill have been led to believe that such legislation will inure to the benefit of the residential and rural telephone user. AT&T and various telephone company associations are devoting substantial amounts of time, money and effort to creating this impression. Indeed, it appears that AT&T is utilizing its size and existing monopoly power to mount a massive legislative campaign to force a hurried decision by Congress before all the facts are known. This campaign is taking the form of lobbying, the enlistment of AT&T employees and stockholders and the efforts of AT&T executives who are making widespread local speeches in addition to

engaging in other public relation activities on behalf of the legislative proposal. In so doing, AT&T is attempting to downplay studies which show that competition in the provision of data services has inured to the public benefit in the form of innovative services and optimum usage of existing telecommunications resources.

Remote Processing Services  
Section of ADAPSO

## Editorials

### A bill for Bell

Sometime in the next session, Congress will have to decide how much competition the U. S. wants and needs in the \$35 billion telephone and telecommunications industry. In doing so, the legislators may find it necessary to redesign the whole intricate structure of corporate and financial relations in one of the world's biggest and most complex businesses.

The giant American Telephone & Telegraph Co. has been pushing hard for adoption of the bill titled "Consumer Telephone Reform Act of 1976." The so-called Bell bill would widen AT&T's antitrust immunity, now being challenged by the Justice Dept. And it would, in effect, turn off the efforts of the Federal Communications Commission to admit new competitors in such fast-growing markets as computers, data services, satellite communications, and office equipment.

In principle, a strong case can be made against any

bill that strengthens a monopoly, and the FCC as well as Bell's competitors and potential competitors have been busy making it. Among other things, they have pointed out that competition is the way to stimulate innovation and customer service (page 116).

But if Congress refuses to pass any version of the Bell bill, another sticky problem will face the industry. The telephone rate structure, devised through years of political compromises and corporate negotiations, depends on a complex system of sharing the revenue from toll calls. Independent companies, which serve about 18% of the residential market, deposit their tolls in a "settlements pool" run by Bell. They then draw out according to a formula that often gives them more than they put in. Without this cushion, the independents serving high-cost rural markets would have to charge higher rates.

If Congress decides that more competition is what the industry needs, it should consider what competition might do to the settlements pool. This raises the question of what sort of system might be set up to replace it. And suddenly Congress may find itself doing what it should have done in the first place—beginning a comprehensive review of communications policy.

Reprinted from Business Week, October 18, 1976